

**REPORT OF THE AUDIT OF THE
BRECKINRIDGE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2014**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BRECKINRIDGE COUNTY FISCAL COURT

June 30, 2014

The Auditor of Public Accounts has completed the audit of the Breckinridge County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Breckinridge County, Kentucky.

Financial Condition:

The Breckinridge County Fiscal Court had total receipts of \$8,656,757 and disbursements of \$8,721,985 in fiscal year 2014. This resulted in a total ending fund balance of \$2,515,700, which is a decrease of \$78,735 from the prior year.

Report Comments:

- 2014-001 The Breckinridge County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions
- 2014-002 Prisoner Reimbursements (Jail Fees) Should Be Submitted To Treasurer On A Monthly Basis
- 2014-003 The Former Jailer Should Have Required Copies Of Receipts Be Maintained And Made Daily Deposits
- 2014-004 The Breckinridge County Fiscal Court Should Make Daily Deposits For The Jail Fund
- 2014-005 Internal Controls Over Disbursements/Credit Cards Should Be Strengthened
- 2014-006 The Fiscal Court Shall Fix All Employees' Salaries
- 2014-007 Employees Should Be Compensated For Actual Hours Worked
- 2014-008 The Breckinridge County Jail Should Strengthen Controls Over Sick/Vacation Days Accrued/Used and Ensure That The Correct Jail Policy Is Being Followed

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Maurice Lucas, Breckinridge County Judge/Executive

Members of the Breckinridge County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Breckinridge County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in more fully in Note 1, the financial statement is prepared by Breckinridge County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Breckinridge County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Breckinridge County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Breckinridge County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. The budgetary comparison schedules and capital asset schedule have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2015 on our consideration of Breckinridge County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2014-001 The Breckinridge County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions
- 2014-002 Prisoner Reimbursements (Jail Fees) Should Be Submitted To Treasurer On A Monthly Basis
- 2014-003 The Former Jailer Should Have Required Copies Of Receipts Be Maintained And Made Daily Deposits
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- 2014-008 The Breckinridge County Jail Should Strengthen Controls Over Sick/Vacation Days Accrued/Used and Ensure That The Correct Jail Policy Is Being Followed

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

August 21, 2015

BRECKINRIDGE COUNTY OFFICIALS

For The Year Ended June 30, 2014

Fiscal Court Members:

Maurice Lucas	County Judge/Executive
James Henning	Magistrate
Shane Beavin	Magistrate
Gary Greenwell	Magistrate
Willis Bosley	Magistrate
Sam Moore	Magistrate
Joe O'Donoghue	Magistrate

Other Elected Officials:

Bradley Butler	County Attorney
Allen Shrewsberry	Jailer
Jill Irvin	County Clerk
Cindy Rhodes	Circuit Court Clerk
Todd Pate	Sheriff
Dana Bland	Property Valuation Administrator
Tim Bandy	Coroner

Appointed Personnel:

Sherrie Ashley Lawson	County Treasurer
Odessa Hobbs	Financial Officer

BRECKINRIDGE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

BRECKINRIDGE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

	Budgeted Funds				
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	State Grants Fund
RECEIPTS					
Taxes	\$ 2,256,436	\$	\$	\$	\$
Excess Fees	97,575				
Licenses and Permits	39,554				
Intergovernmental	424,413	2,431,597	1,831,270	113,290	35,934
Charges for Services	15,201		67,201		
Miscellaneous	104,265	28,750	109,778	2,278	
Interest	1,977	488	589	137	
Total Receipts	2,939,421	2,460,835	2,008,838	115,705	35,934
DISBURSEMENTS					
General Government	902,670				
Protection to Persons and Property	413,951		1,502,485	23,394	
General Health and Sanitation	106,281		87,947	34,804	
Social Services	18,198				
Recreation and Culture	76,605			22,248	
Roads		2,110,598			
Bus Services	134,890				
Debt Service			424,817		
Capital Projects	115,641	197,898			
Administration	1,005,391	156,222	248,830		
Total Disbursements	2,773,627	2,464,718	2,264,079	80,446	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	165,794	(3,883)	(255,241)	35,259	35,934
Other Adjustments to Cash (Uses)					
Payroll Revolving Account	(13,507)				
Transfers From Other Funds	189,642		239,009		
Transfers To Other Funds	(239,009)	(189,642)			
Total Other Adjustments to Cash (Uses)	(62,874)	(189,642)	239,009		
Net Change in Fund Balance	102,920	(193,525)	(16,232)	35,259	35,934
Fund Balance - Beginning (Restated)	1,632,061	411,072	352,554	61,863	
Fund Balance - Ending	\$ 1,734,981	\$ 217,547	\$ 336,322	\$ 97,122	\$ 35,934
Composition of Fund Balance					
Bank Balance	\$ 1,749,379	\$ 290,942	\$ 338,506	\$ 105,319	\$ 35,934
Plus: Deposits In Transit					
Less: Outstanding Checks	(14,398)	(73,395)	(2,184)	(8,197)	
Fund Balance - Ending	\$ 1,734,981	\$ 217,547	\$ 336,322	\$ 97,122	\$ 35,934

The accompanying notes are an integral part of the financial statement.

BRECKINRIDGE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

	Unbudgeted Funds		
	Public Properties Corporation Fund	Jail Commissary Fund	Total Funds
RECEIPTS			
Taxes	\$	\$	\$ 2,256,436
Excess Fees			97,575
Licenses and Permits			39,554
Intergovernmental	951,275		5,787,779
Charges for Services			82,402
Miscellaneous		144,739	389,810
Interest	10		3,201
Total Receipts	<u>951,285</u>	<u>144,739</u>	<u>8,656,757</u>
DISBURSEMENTS			
General Government			902,670
Protection to Persons and Property			1,939,830
General Health and Sanitation			229,032
Social Services			18,198
Recreation and Culture		148,959	247,812
Roads			2,110,598
Bus Services			134,890
Debt Service	949,275		1,374,092
Capital Projects	38,881		352,420
Administration	2,000		1,412,443
Total Disbursements	<u>990,156</u>	<u>148,959</u>	<u>8,721,985</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(38,871)</u>	<u>(4,220)</u>	<u>(65,228)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account			(13,507)
Transfers From Other Funds			428,651
Transfers To Other Funds			(428,651)
Total Other Adjustments to Cash (Uses)	<u></u>	<u></u>	<u>(13,507)</u>
Net Change in Fund Balance	(38,871)	(4,220)	(78,735)
Fund Balance - Beginning	120,490	16,395	2,594,435
Fund Balance - Ending	<u>\$ 81,619</u>	<u>\$ 12,175</u>	<u>\$ 2,515,700</u>
Composition of Fund Balance			
Bank Balance	\$ 81,619	\$ 9,672	\$ 2,611,371
Deposits In Transit		2,920	2,920
Less Outstanding Checks		(417)	(98,591)
Ending Fund Balance	<u>\$ 81,619</u>	<u>\$ 12,175</u>	<u>\$ 2,515,700</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Breckinridge County includes all budgeted and unbudgeted funds under the control of the Breckinridge County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

The following entity: Breckinridge Health, Inc., would have been included in the reporting entity under accounting principles generally accepted in the United State of America (GAAP) as established by the Government Accounting Standards Board. However under the regulatory basis they are no longer are required components of the reporting entity. The audit of the following entity can be obtained from the Breckinridge Fiscal Court 208 S. Main Street, Hardinsburg, Kentucky 40143: Breckinridge Health, Inc.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

State Grants Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The purpose of this fund is to account for debt service requirements of the First Mortgage Revenue Bonds, Series 2010 and the construction costs of the Justice Center. The Department for Local Government does not require the Fiscal Court to report or budget this fund.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Breckinridge County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Breckinridge County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Breckinridge County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	Road Fund	Total Transfers In
General Fund	\$	\$ 189,642	\$ 189,642
Jail Fund	239,009		239,009
Total Transfers Out	\$ 239,009	\$ 189,642	\$ 428,651

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Agency Trust Fund

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2014 was \$54,963.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Receivable

The Breckinridge County Fiscal Court had entered into a financing obligation on the behalf of the Breckinridge County Central EMS, Inc. (Central EMS) for the purpose of providing funds for the financing of the construction of the EMS building. The Breckinridge County Fiscal Court has an agreement with Central EMS that states the Central EMS will make payments for this financing obligation. Future amounts due to the Breckinridge County Fiscal Court are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 15,000	\$ 6,129
2016	15,000	5,355
2017	15,000	4,581
2018	15,000	3,807
2019	15,000	3,034
2020-2022	<u>50,000</u>	<u>4,343</u>
Totals	<u>\$ 125,000</u>	<u>\$ 27,249</u>

Note 6. Long-term Debt

A. First Mortgage Revenue Bonds (Justice Center Project), Series 2010

On February 1, 2010, the Breckinridge County Public Properties Corporation issued \$13,155,000 of First Mortgage Revenue Bonds (Justice Center Project), Series 2010 for the purpose of acquiring, constructing, and equipping a new Justice Center. The bonds have a variable interest rate. The bonds will mature on February 1, 2031. The balance of the bonds at June 30, 2014 was \$11,625,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 525,000	\$ 425,975
2016	535,000	415,475
2017	550,000	402,100
2018	565,000	385,600
2019	580,000	368,650
2020-2024	3,210,000	1,545,075
2025-2029	3,875,000	885,263
2030-2031	<u>1,785,000</u>	<u>116,537</u>
Totals	<u>\$ 11,625,000</u>	<u>\$ 4,544,675</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Long-term Debt (Continued)

B. EMS Building

On June 18, 2002, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$250,000 at a 4.38% effective interest rate. The financing obligation was used for the construction of the EMS building. The maturity date of the obligation is January 20, 2022. On August 12, 2002, the Breckinridge County Fiscal Court entered into an agreement with Breckinridge County Central EMS, Inc. The agreement states that Breckinridge County Central EMS, Inc. will make the payments for this lease. The balance of the obligation at June 30, 2014, was \$125,000. Annual debt service payments to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 15,000	\$ 6,129
2016	15,000	5,355
2017	15,000	4,581
2018	15,000	3,807
2019	15,000	3,034
2020-2022	<u>50,000</u>	<u>4,343</u>
Totals	<u>\$ 125,000</u>	<u>\$ 27,249</u>

C. Detention Facility

On February 26, 1998, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$5,300,000 at a 5.64% interest rate. The financing obligation was for construction of the Detention Facility. On January 31, 2000, the Fiscal Court refinanced in the amount of \$5,500,000 at a 5.30% effective interest rate. The maturity date of the obligation is July 20, 2024. The balance of the obligation at June 30, 2014, was \$3,341,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 233,000	\$ 189,741
2016	245,000	174,938
2017	258,000	159,351
2018	271,000	142,975
2019	285,000	125,754
2020-2024	1,663,000	337,484
2025	<u>386,000</u>	<u>1,952</u>
Totals	<u>\$ 3,341,000</u>	<u>\$ 1,132,195</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Long-term Debt (Continued)

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 12,140,000	\$	\$ 515,000	\$ 11,625,000	\$ 525,000
Financing Obligations	3,702,000		236,000	3,466,000	248,000
Total Long-term Debt	<u>\$ 15,842,000</u>	<u>\$ 0</u>	<u>\$ 751,000</u>	<u>\$ 15,091,000</u>	<u>\$ 773,000</u>

Note 7. Commitments and Contingencies

The County is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant; in the aggregate, they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

The county's contribution for FY 2012 was \$444,743, FY 2013 was \$452,045, and FY 2014 was \$460,013.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 8. Employee Retirement System (Continued)

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

In May 2002, the Breckinridge County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2014, Breckinridge County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 11. Payroll Revolving Account

The reconciled balance of \$ 13,507, of the Payroll Revolving Account as of June 30, 2013, was added to the General Fund cash balance for financial reporting purposes, during the current fiscal year the \$13,507 was allocated to the General Fund.

Note 12. Prior Period Adjustments

	General Fund	Road Fund	Jail Fund	Jail Commissary Fund
Ending Fund Balance Prior Year	\$ 1,618,325	\$ 410,396	\$ 352,500	\$ 16,356
Adjustment:				
Rounding				1
Prior Year Voided Checks	229	676	54	38
Beginning Fund Balance Restated	<u>\$ 1,618,554</u>	<u>411,072</u>	<u>\$ 352,554</u>	<u>\$ 16,395</u>

BRECKINRIDGE COUNTY
BUDGRTARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,975,700	\$ 1,975,700	\$ 2,256,436	\$ 280,736
In Lieu Tax Payments	9,000	9,000		(9,000)
Excess Fees	8,600	8,600	97,575	88,975
Licenses and Permits	14,000	14,000	39,554	25,554
Intergovernmental	1,331,931	1,331,931	424,413	(907,518)
Charges for Services	9,000	9,000	15,201	6,201
Miscellaneous	89,000	111,500	104,265	(7,235)
Interest			1,977	1,977
Total Receipts	<u>3,437,231</u>	<u>3,459,731</u>	<u>2,939,421</u>	<u>(520,310)</u>
DISBURSEMENTS				
General Government	1,015,318	1,022,281	902,670	119,611
Protection to Persons and Property	738,360	735,610	413,951	321,659
General Health and Sanitation	131,737	144,237	106,281	37,956
Social Services	31,950	23,103	18,198	4,905
Recreation and Culture	89,538	91,473	76,605	14,868
Bus Services	116,000	134,890	134,890	
Capital Projects	624,464	634,593	115,641	518,952
Administration	1,137,064	1,120,744	1,005,391	115,353
Total Disbursements	<u>3,884,431</u>	<u>3,906,931</u>	<u>2,773,627</u>	<u>1,133,304</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(447,200)</u>	<u>(447,200)</u>	<u>165,794</u>	<u>612,994</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	189,642	189,642	189,642	
Transfers To Other Funds	<u>(257,601)</u>	<u>(257,601)</u>	<u>(239,009)</u>	<u>18,592</u>
Total Other Adjustments to Cash (Uses)	<u>(67,959)</u>	<u>(67,959)</u>	<u>(49,367)</u>	<u>18,592</u>
Net Change in Fund Balance	(515,159)	(515,159)	116,427	631,586
Fund Balance Beginning (Restated)	<u>515,159</u>	<u>515,159</u>	<u>1,618,554</u>	<u>1,103,395</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,734,981</u>	<u>\$ 1,734,981</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,741,837	\$ 2,966,837	\$ 2,431,597	\$ (535,240)
Miscellaneous	25,000	25,000	28,750	3,750
Interest			488	488
Total Receipts	<u>2,766,837</u>	<u>2,991,837</u>	<u>2,460,835</u>	<u>(531,002)</u>
DISBURSEMENTS				
Roads	2,219,865	2,530,216	2,110,598	419,618
Capital Projects	312,602	248,071	197,898	50,173
Administration	244,728	223,908	156,222	67,686
Total Disbursements	<u>2,777,195</u>	<u>3,002,195</u>	<u>2,464,718</u>	<u>537,477</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(10,358)</u>	<u>(10,358)</u>	<u>(3,883)</u>	<u>6,475</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(189,642)</u>	<u>(189,642)</u>	<u>(189,642)</u>	
Total Other Adjustments to Cash (Uses)	<u>(189,642)</u>	<u>(189,642)</u>	<u>(189,642)</u>	
Net Change in Fund Balance	(200,000)	(200,000)	(193,525)	6,475
Fund Balance Beginning (Restated)	<u>200,000</u>	<u>200,000</u>	<u>411,072</u>	<u>211,072</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 217,547</u>	<u>\$ 217,547</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,763,500	\$ 1,763,500	\$ 1,831,270	\$ 67,770
Charges for Services	85,500	85,500	67,201	(18,299)
Miscellaneous	48,500	48,500	109,778	61,278
Interest			589	589
Total Receipts	1,897,500	1,897,500	2,008,838	111,338
DISBURSEMENTS				
Protection to Persons and Property	1,469,285	1,525,143	1,502,485	22,658
General Health and Sanitation	124,500	92,142	87,947	4,195
Debt Service	424,817	424,817	424,817	
Administration	293,982	270,482	248,830	21,652
Total Disbursements	2,312,584	2,312,584	2,264,079	48,505
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(415,084)	(415,084)	(255,241)	159,843
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	257,601	257,601	239,009	(18,592)
Total Other Adjustments to Cash (Uses)	257,601	257,601	239,009	(18,592)
Net Change in Fund Balance	(157,483)	(157,483)	(16,232)	141,251
Fund Balance Beginning (Restated)	157,483	157,483	352,554	195,071
Fund Balance - Ending	\$ 0	\$ 0	\$ 336,322	\$ 336,322

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 113,290	\$ 43,290
Miscellaneous			2,278	2,278
Interest			137	137
Total Receipts	70,000	70,000	115,705	45,705
DISBURSEMENTS				
General Government	1,500	1,500		1,500
Protection to Persons and Property	28,000	28,000	23,394	4,606
Social Services	33,200	35,959	34,804	1,155
Recreation and Culture	25,000	25,000	22,248	2,752
Administration	6,300	3,541		3,541
Total Disbursements	94,000	94,000	80,446	13,554
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(24,000)	(24,000)	35,259	59,259
Net Change in Fund Balance	(24,000)	(24,000)	35,259	59,259
Fund Balance Beginning	24,000	24,000	61,863	37,863
Fund Balance - Ending	\$ 0	\$ 0	\$ 97,122	\$ 97,122

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

STATE GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 35,934	\$ 35,934	\$
Total Receipts		35,934	35,934	
DISBURSEMENTS				
Recreation and Culture		35,934		35,934
Total Disbursements		35,934		35,934
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			35,934	35,934
Net Change in Fund Balance			35,934	35,934
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 35,934	\$ 35,934

BRECKINRIDGE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2014

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of the General Fund

Other Adjustments to Cash (Uses)-Budgetary Basis	\$ (49,367)
To adjust for Payroll Account	<u>(13,507)</u>
Total Other Adjustments to Cash (Uses)-Regulatory Basis	<u>\$ (62,874)</u>
Fund Balance Beginning (Restated)-Budgetary Basis	\$ 1,618,554
To adjust for Payroll Account	<u>13,507</u>
Total Fund Balance Beginning (Restated)-Regulatory Basis	<u><u>\$ 1,632,061</u></u>

BRECKINRIDGE COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014

BRECKINRIDGE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,858,235	\$	\$	\$ 1,858,235
Construction In Progress	152,518	202,310	203,170	151,658
Buildings and Building Improvement	21,524,575	45,790		21,570,365
Machinery and Equipment	2,518,086	83,546		2,601,632
Vehicles	996,593	184,029	63,168	1,117,454
Vehicles - Jail Commissary	11,300			11,300
Infrastructure	4,461,678	624,399		5,086,077
 Total Capital Assets	 <u>\$ 31,522,985</u>	 <u>\$ 1,140,074</u>	 <u>\$ 266,338</u>	 <u>\$ 32,396,721</u>

BRECKINRIDGE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2014

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5-15
Infrastructure	\$ 20,000	10-50

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Maurice Lucas, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Breckinridge County Fiscal Court for the fiscal year ended June 30, 2014, and the related notes to the financial statement and have issued our report thereon dated August 21, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Breckinridge County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Breckinridge County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Breckinridge County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-001 and 2014-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-003, 2014-004, 2014-005, and 2014-008 to be significant deficiencies.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Breckinridge County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2014-005, 2014-006, and 2014-007.

County Judge's Responses to Findings

The Breckinridge County Judge's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The County Judge's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

August 21, 2015

**BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2014

BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2014

FINANCIAL STATEMENT FINDINGS:

2014-001 The Breckinridge County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions In The Jail Commissary

A lack of segregation of duties exists over the following accounting functions: receipts and processing, record-keeping, report preparation, and reconciliations. Lack of oversight could result in misappropriation of assets and/or inaccurate financial reporting which could occur but go undetected. Adequate segregation of duties would prevent the same person from having a significant role in these functions.

The former Jailer's bookkeeper prepared and deposited the receipts, prepared and signed checks, posted to the ledger, prepared reports, and performed the bank reconciliations.

The segregation of duties over various accounting functions such as preparing deposits, recording receipts and disbursements, and preparing reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect employees in the normal course of performing their assigned functions and to protect the fiscal court against inaccurate financial reporting, the former Jailer should have separated the duties in preparing and depositing receipts, preparing and signing checks, recording transactions, preparing reports, and reconciling bank accounts. If any of these duties cannot be segregated due to limited number of staff, strong oversight should be provided over the employee responsible. The employee providing the oversight should document this.

Judge/Executive Maurice Lucas' Response: Due to a lack of funds for additional staff, segregation is limited.

Former Jailer Alan Shrewsberry's Response: The official did not respond.

2014-002 Prisoner Reimbursements (Jail Fees) Should Be Submitted To Treasurer On A Monthly Basis

Prisoner reimbursements (Jail Fees) were not being turned over to the County Treasurer on a regular basis. By prisoner reimbursements not being submitted on a monthly basis along with the appropriate supporting documentation the County Treasurer is unable to ensure that the appropriate amounts are being collected and submitted to the Fiscal Court. The Jail only made 3 payments to the County Treasurer during fiscal year ending June 30, 2014. These payments should be submitted on at least a monthly basis and should include documentation to support the amount being remitted. We recommend that prisoner reimbursements (Jail Fees) be submitted to the Treasurer on a monthly basis.

Judge/Executive Maurice Lucas' Response: The County Treasurer will request that the Jailer turn over the prisoner reimbursements (Jail Fees) along with the appropriate supporting documentation in a timely manner.

Former Jailer Alan Shrewsberry's Response: The official did not respond.

BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-003 The Former Jailer Should Have Required Copies Of Receipts Be Maintained And Made Daily Deposits

The copies of receipts that were batched daily were not maintained and deposits were not made daily. The former Jailer increased the possibility of misappropriation or theft of receipts by not making daily deposits. Auditor noted during testing that receipts from May 6th through May 12th of \$2,236 were not deposited until May 15th. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual issued by the Department for Local Government, requires daily deposits and a daily check out sheet where receipts are batched and categorized as part of the minimum accounting requirements for the Jail Commissary. The former Jailer should have required copies of receipts be kept and deposits be made daily in order to be in compliance with the minimum accounting standards as prescribed by the Department for Local Government.

Judge/Executive Maurice Lucas' Response: Copies of receipts will be maintained and deposits will be made regularly in order to be in compliance.

Former Jailer Alan Shrewsberry's Response: The official did not respond.

2014-004 The Breckinridge County Fiscal Court Should Make Daily Deposits For The Jail Fund

Jail Fund deposits were not prepared daily, on average about 4 times a month. For September 2013 and February 2014, there were two deposits made for each month that were at or above \$132,075. The County Treasurer explained that the Jail does not always turn over their fees to her timely and then she sometimes will hold deposits. Not properly depositing monies received by the office could result in a loss of receipts or misplaced monies. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual require that deposits be made daily and intact. Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. Therefore, we recommend that the Fiscal Court deposit receipts daily as required by the State Local Finance Officer.

Judge/Executive Maurice Lucas' Response: Jail deposits will be deposited in a timely manner and arrangements will be made to have receipts deposited in the absence of the County Treasurer.

BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-005 Internal Controls Over Disbursements/Credit Cards Should Be Strengthened

During our testing of disbursements and credit cards, we noted the following deficiencies:

- Five credit card transactions that did not have adequate supporting documentation (itemized invoices).
- Five invoices were not paid within 30 working days.
- Three disbursements that were not paid within 30 days.
- Credit cards were not always paid in full each month, resulting in finance charges/late fees of \$7.

Good internal controls dictate that adequate supporting documentation be maintained for all disbursements and credit card transactions. All vendor invoices and receipts should be maintained including any additional supporting documentation and agreed to the corresponding purchase order and reports.

These deficiencies over disbursements and credit card transactions occurred because the Fiscal Court's lack of internal controls and oversight.

Failing to maintain adequate documentation can result in paying invoices for goods or services that were not provided to the County. Also, by not paying invoices within 30 days or paying credit cards in full each month the Fiscal Court could be assessed penalties or finance charges.

We recommend that the County develop internal procedures to ensure that disbursements and credit card transactions are properly supported.

Judge/Executive Maurice Lucas' Response: Employees, who request authorization to use the credit card, will be required to submit all supporting documentation to the account payable clerk in order to process the disbursements in a timely manner. Also, the County will develop internal procedures to ensure that employees understand the importance of maintaining and turning in all supporting invoices and receipts.

2014-006 The Fiscal Court Shall Fix All Employees' Salaries

The Fiscal Court did not fix all employees' hourly rates. Fiscal Court currently approves an annual percentage raise, but does not list each employee's current rate and new rate for Fiscal Court's approval. Since hourly rates are not properly fixed employees could inadvertently be paid the incorrect wages. The Fiscal Court thought that by approving the annual percentage raises that they were in compliance with the statute. KRS 64.530(1) states, in part, that "except as provided in subsections (5) and (6) of this section, the Fiscal Court of each county shall fix the reasonable compensation of every county officer and employee except the officers named in KRS 64.535 and the County Attorney and Jailer." In order to comply with this statute, we recommend that at the beginning of each fiscal year, a list of each employee, by job position, along with his/her pay be listed and approved by Fiscal Court. This list when approved by Fiscal Court should be documented in the Fiscal Court Order Book.

Judge/Executive Maurice Lucas' Response: The Fiscal Court will approve a list of each employee, by job position, along with his/her pay at the beginning of each fiscal year and document the list in the Fiscal Court Order Book along with the budget.

BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-007 Employees Should Be Compensated For Actual Hours Worked

The County Treasurer, Finance Officer, Judge's Secretary, EMA Director, and Road Supervisor were being treated as exempt employees. It was the County Judge/Executive's understanding that these individuals met the requirements by Wage and Labor to be considered salaried employees. By treating these individuals as exempt they are not being compensated at time and a half for hours worked over 40 hours per workweek. KRS 337.285(1) states, "No employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate not less than one and one-half (1-1/2) times the hourly rate at which he is employed". The Fair Labor Standards Act (FLSA) also requires that all covered, nonexempt employees be paid overtime pay at a rate of not less than one and one-half times an employee's regular rate of pay after 40 hours of work in a workweek. We recommend that the Fiscal Court compensate all employees in accordance with KRS 337.285(1).

Judge/Executive Maurice Lucas' Response: The Fiscal Court will compensate all employees in accordance with KRS 337.285 (1).

2014-008 The Breckinridge County Jail Should Strengthen Controls Over Sick/Vacation Days
Accrued/Used and Ensure That The Correct Jail Policy Is Being Followed

Breckinridge County Jail has a lack of controls and accounting over sick/vacation days accrued/used. In September 2014, it was discovered that sick/vacation time was not being given correctly to employees. After this was discovered, some of the effected employees had negative balances. Several jail employees were given additional sick/vacation time due to a misunderstanding of the policies. Lack of oversight could result in employees using leave time that they have not earned. The Jail's Personnel Policy and Procedure Manual states that "Accrued sick leave shall not be used until the employee has worked in a full-time position for one (1) full year." However, the Policy was silent on the use of vacation time. We recommend the Jailer strengthen controls over sick/vacation days accrued/used and ensure that the correct jail policy is being followed.

Judge/Executive Maurice Lucas' Response: The Breckinridge County Jail has strengthened controls over sick/vacation days accrued/used and the correct jail policy is being followed.

Former Jailer Alan Shrewsberry's Response: The official did not respond.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

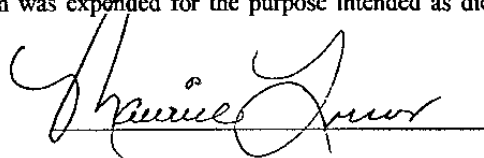
BRECKINRIDGE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2014**

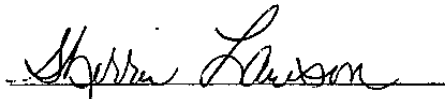
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BRECKINRIDGE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Breckinridge County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Maurice L. Smith", written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Sherri L. Larrison", written over a horizontal line.

County Treasurer

